# BUILDER

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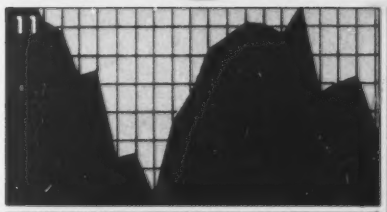
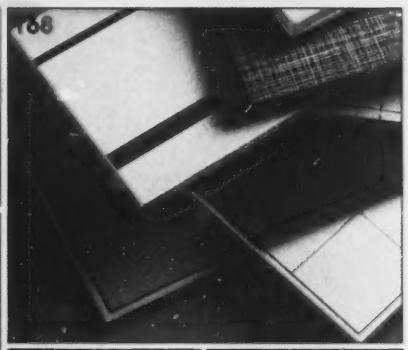
# BUILDER



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A new BUILDER exclusive. Four easy-to-read pages of economic news, including Michael Sumichrast's column, results of a Gallup-type survey of builders, charts on key housing-related statistics and a news roundup. Prepared with NAHB's Economics Division.

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(Cover: Windswept Ocean Villas, Kiawah Island, S.C. Photo: Gurdon H. Schenk, Jr.)

**168—FAVORITE 50**
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Mobil is best known as an oil company, but a subsidiary of the energy giant is striking it rich in real estate. Windward, a 3,250-acre project in Atlanta, is a good example of how Mobil has prospered in the land development business and helped out small builders as well.

**198—GOODBYE TO THE DETACHED HOUSE?**
Or should it be au revoir? Because detached housing, which many observers wrote off along with big cars and wide ties, doesn't seem likely to disappear.

# OUTLOOK

## MODESTY THE BEST POLICY

**Michael Sumichrast**
NAHB Chief Economist

This year will be a fairly good year for housing. Production will be slightly better than the 1.68 million starts achieved last year, with single-family starts increasing by 75,000 units to a 1.143 million level.

There are several reasons for this rather modest forecast. One is the level of interest rates; they will probably decline slightly next year. Mortgage rates may well drop 75 basis points. If we are lucky, they will drop slightly more. That will put the fixed-rate mortgage down to about 12.5 percent, and variable rates offered in the market will be even lower. The decline is likely despite the fact that the government sector will take a record share of available funds.

A second reason for forecasting a good year for housing is that demand still seems quite strong. This is evident from consumer expectation surveys as well as NAHB's Builder Economic Council (BEC) monthly surveys.

The third reason is that the economic recovery will continue here as well as overseas. In Europe, 8 out of 10 countries are showing an increase in industrial production and gross national product. The world's industrial nations as a whole will show at least a 4 percent rise in industrial production this year. Industrial production is increasing at double-digit rates in Canada and Japan.

In the developing countries, the recession and a relatively good harvest depressed most commodity prices. But with the sharp economic recovery in the U.S., as well as the payment in kind (PIK) program, commodity prices have increased 20 percent compared with a year ago. This is helping many developing countries and will boost world trade.

At the same time that economies worldwide have improved, inflation has subsided in most industrialized countries. Belgium was the only European nation still suffering from double-digit inflation at the end of last year. In Japan, consumer prices are up only 1.1 percent from a year ago.

However, unemployment still persists. In the 12 industrialized nations only the U.S. and Canada have lower rates than a year ago. Unemployment is 15.4 percent in Belgium, 17.7 percent in Holland and an unprecedented 9.4 percent in West Germany.

Just as unemployment has burgeoned, interest rates are close to all-time highs. In 8 out of the 12 industrialized countries, the prime rate is still at a double-digit figure. The most urgent task is to bring all rates down so that the worldwide economic recovery can continue.

In the United States, economic rebound is continuing at a better rate than expected. More and more this recovery resembles previous recoveries.

As usual, housing has been in the forefront of the upturn. In terms of GNP, residential construction jumped 53.2 percent in the fourth quarter of 1982, 57.3 percent in the first quarter of 1983, 79.5 percent in the second quarter of last year and 39 percent in the third quarter.

Last October unemployment in the construction industry dropped by 3 percentage points to 15.2 percent from 18.2 percent in September. That was the sharpest drop ever and brought 177,000 workers back to work.

Now other sectors of the economy are improving; inflation, at 3 percent, is far below its level a year ago and so is real per capita income, after a miserable three years of decline.

Corporate profits also are up sharply, increasing at an annual rate of 15 percent after more than three years of decline.

In the past, NAHB's BEC survey of builders was a good indicator of future activity. For example, surveyed builders foresaw the slowdown in sales during the summer as all interest rates started to notch up.

The November survey showed little change from the summer, but it did show that builders are still rather bullish about the near future (although not quite as bullish as they were in the spring). The single-family market appears to be particularly strong. In this sector actual

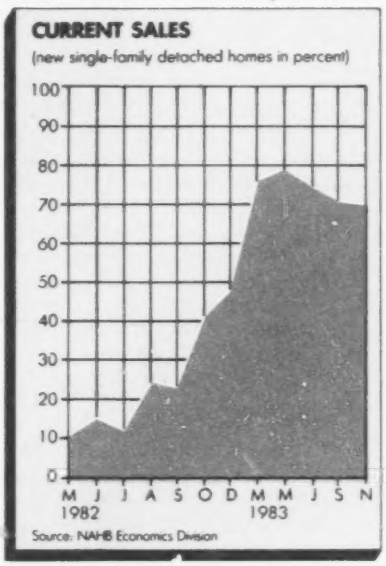
**TOP 20 METROPOLITAN AREAS FOR HOUSING STARTS IN 1984**

| City | 1983 | 1984 | Percent change |
|---|---|---|---|
| Dallas-Fort Worth | 109,100 | 84,100 | -22.9 |
| Houston | 58,300 | 46,050 | -21.0 |
| Atlanta | 41,950 | 40,235 | -4.1 |
| Phoenix | 43,000 | 36,000 | -16.3 |
| Washington, D.C. | 27,535 | 24,700 | -10.3 |
| West Palm Beach-Boca Raton | 17,383 | 22,900 | 31.7 |
| Tampa-St. Petersburg | 23,050 | 21,800 | -5.4 |
| Chicago | 17,780 | 20,400 | 14.7 |
| Orlando | 20,560 | 19,420 | -5.5 |
| Denver-Boulder | 23,500 | 19,000 | -19.1 |
| San Diego | 14,050 | 19,000 | 35.2 |
| Los Angeles-Long Beach | 16,000 | 18,000 | 12.5 |
| Minneapolis-St. Paul | 15,900 | 17,500 | 10.1 |
| Miami | 12,690 | 15,500 | 22.2 |
| Baltimore | 15,840 | 15,180 | -4.2 |
| Fort Lauderdale-Hollywood | 11,786 | 15,000 | 27.3 |
| Riverside-San Bernardino-Ontario | 14,500 | 15,000 | 3.4 |
| San Antonio | 15,950 | 14,500 | -9.1 |
| New York | 14,460 | 14,185 | -1.9 |
| Philadelphia | 14,690 | 14,000 | -4.7 |
| **Total—top 20 SMSAs** | **528,024** | **492,470** | **-6.7** |
| **United States total** | **1,683,300** | **1,692,200** | **0.5** |
| **Top 20 SMSAs as percent of U.S. total** | **31.4%** | **29.1%** | — |

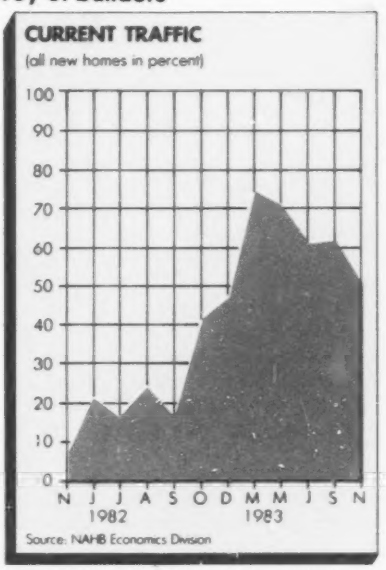
Source: NAHB Forecasting Service

# OUTLOOK

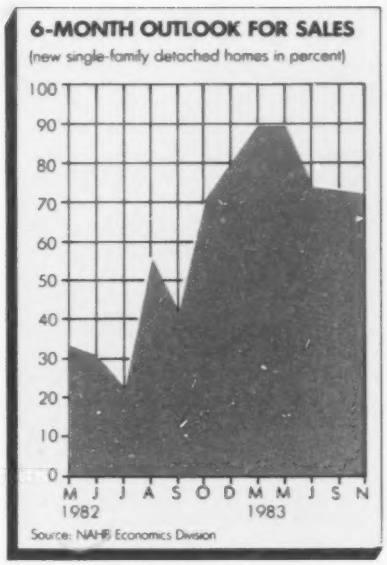
**PERFORMANCE POLL: a periodic survey of builders**



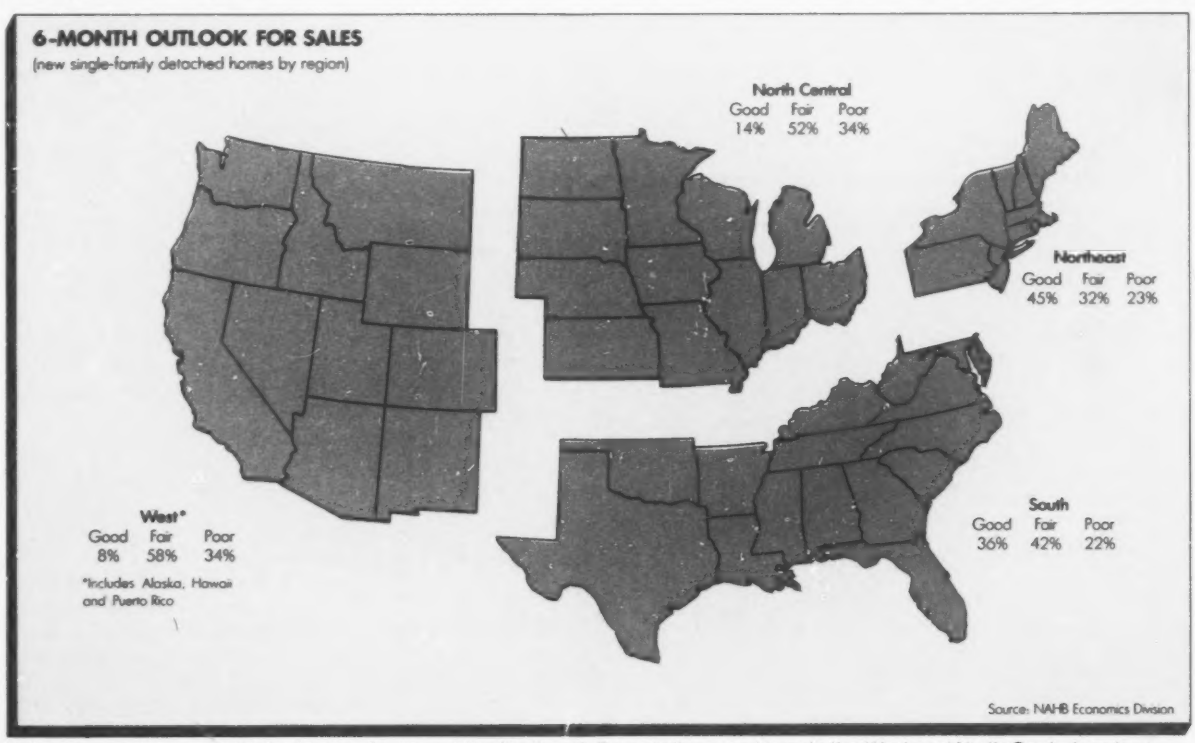

For the third month in a row close to 75% of the builders indicated that new home sales were fair to excellent.




Traffic was down in all regions, with the largest decline in the West. Seasonal factors accounted for the decline.




Most builders expect sales to remain the same during the next 6 months. Nearly 75% expect sales to be fair to excellent.




Builders expectations are highest in the South and the Northeast. Expectations are lower in the West and North Central regions.

sales, as well as builder expectations, are still strong. On the other hand, condo sales have declined and townhouse sales have dropped slightly. Builders also are somewhat less optimistic about the condo and townhouse markets than they are about single-family housing sales.

Of course, not all areas are participating equally in the recovery, nor will they in the future. NAHB's new econometric forecast shows a great deal of variation between regions.

Housing starts in the Northeast and North Central are projected to increase by about 18 percent, with a slight decline—1 percent—forecast in the West and a larger decline —about 6 percent —likely in the South.

Among the 100 largest metropolitan areas, Dallas-Fort Worth will again be the top producer, even though starts there will drop by 23 percent this year to 84,000 units.

Houston will remain number two, but production of new units there this year will decline 21 percent to 46,050 units.

Atlanta will take third place, followed by Phoenix, Washington, D.C., West Palm Beach-Boca Raton, Tampa-St. Petersburg, Chicago, Orlando, Denver-Boulder and San Diego.

The top 20 cities built 528,000 new units last year, or 31.4 percent of total starts. This year they will account for 492,500 units or 29.1 percent.

## NOTES

### TRAFFIC IS LIGHTER

Home sales and traffic declined in the second half of last year, but that's not all bad, according to Advance Mortgage Corporation. It has helped starts catch up with sales, without causing a buildup in single-family inventory. The few markets where sales remained as strong as earlier in the year are Denver, San Diego and the single-family sector of South Florida, Advance reported. In a few other markets—Chicago, Seattle, Riverside-San Bernardino, Calif., and Central New Jersey—sales dropped off 50%.

### $250 MILLION SECURITIES SALE

The Federal National Mortgage Association (Fannie Mae) sold $250 million in mortgage-backed securities late last year. Backed by conventional fixed-rate, 30-year loans, the securities yield is 12.61%. The sale brought the total amount of mortgage-backed securities issued by Fannie Mae to more than $27 billion.

### PRIME RATE UNCHANGED

For the third consecutive month, the average prime rate was 11% in November. It should stay in the 10 to 11% range for most of this year, according to a recent survey of lenders conducted by the J. I. Kislak Mortgage Corporation. Lenders predicted that the prime rate could fall to as low as 10.25% by April before moving up again. They also predicted that rates on six-month Treasury bills will remain fairly constant for most of the year, dipping from an estimated 8.75% at the end of the first quarter to 8.25% by September.

### EXISTING HOME SALES DOWN

Sales of existing houses in October declined in every region, most dramatically in the West. Total resales fell nearly 5% to a seasonally adjusted annual rate of 2,590,000. The decline was 11.5% in the West, 6% in the Northeast, 4.5% in the North Central and 1% in the South.

### RENTAL VACANCIES AT 7-YEAR HIGH

At 5.8% in the third quarter of 1983, the rental vacancy rate was its highest since 1976. Regionally, the rate was highest in the South, where it reached 7.1% in the fifth consecutive quarterly increase.

### SMALL INVESTORS ARE BIG

Nearly half the estimated $4 billion invested in real estate limited partnerships in 1983 came from small investors, according to the accounting firm Kenneth Leventhal & Company. "This participation by small investors was virtually unthought of only two years ago," said Stephen Roulac, a partner with the firm. Liberalized regulations for IRA, Keogh and small pension plans opened the door for investing in real estate," he said.

### 1983 SALES UP

During the first 10 months of last year, new single-family sales totaled 535,000, an increase of 57% from the 340,000 sales recorded for the same period a year earlier.

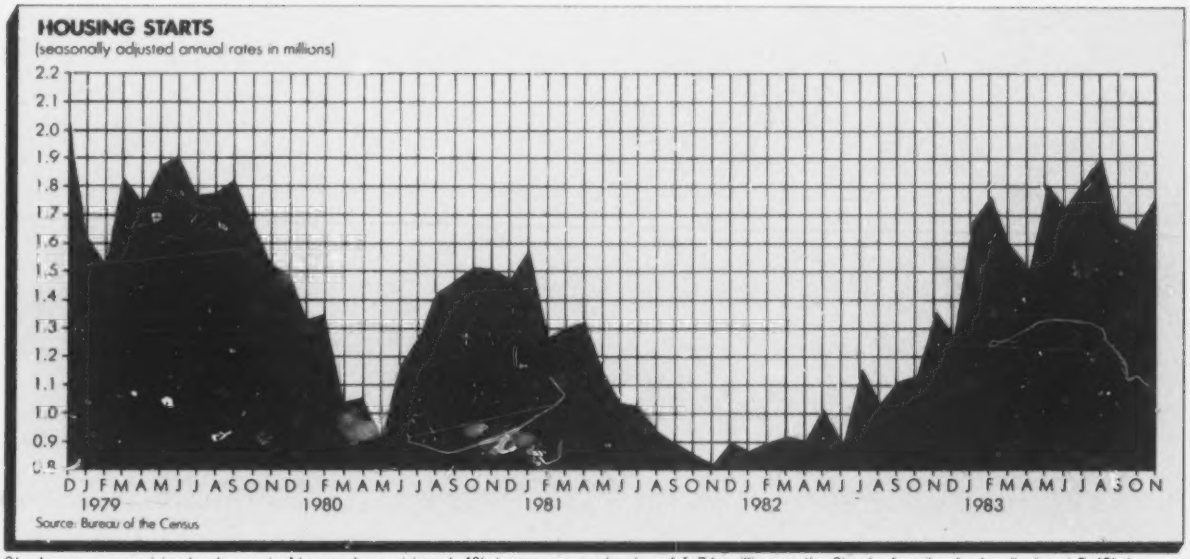
### STILL A GOOD INVESTMENT

Despite the recent recession, property values generally have not fallen, according to Reaves Lukens, Jr., president of the American Institute of Real Estate Appraisers. While property values may not be appreciating as rapidly as in the late 1970s, real estate can still be a good investment, Lukens said. "There most assuredly will be inflation in the years to come, and over the long term most people should benefit by their purchase of property."

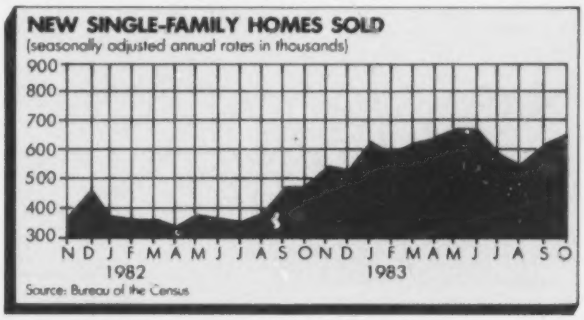
### PENT-UP DEMAND PAST PEAK

Only part of the leveling off in sales during the second half of 1983 can be blamed on the rise in mortgage rates, said Advance Mortgage Corporation President Walter Klein, Jr. "Rather, what we are told in market after market is that pent-up demand has been topped off." In some Sunbelt markets, increasing competition from rentals also has siphoned off sales. "There probably is another pool of first-time buyers that could be turned on if rates drop low enough," Klein added. "We judge the next turn-on point would have to be 11.5% or under for FHA, 12% or under for conventional."

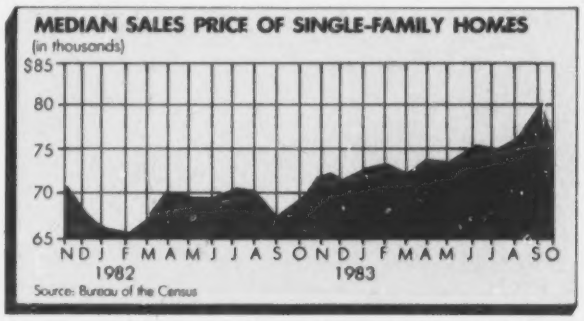
# OUTLOOK



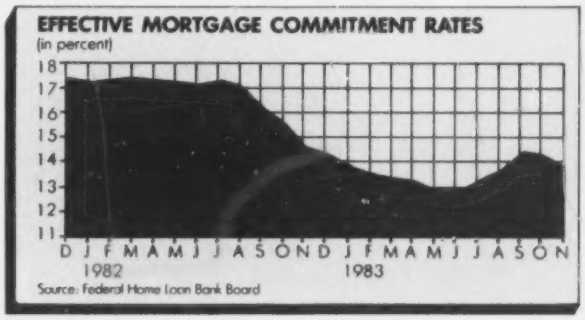

Starts were surprisingly strong in November, rising 6.4% to an annual rate of 1.76 million units. Single-family starts climbed 5.4% to 1.07 million, and multifamily starts jumped nearly 8% to 691,000. Total starts were up 25% from a year earlier.



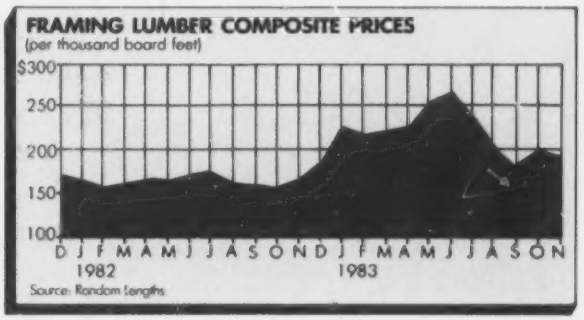

New house sales increased 8% in October to an annual rate of 660,000 from a revised September rate of 610,000. It was the second highest sales rate since October 1979.


MEDIAN SALES PRICE OF SINGLE-FAMILY HOMES
(in thousands)
$85
80
75
70
65
N D J F M A M J J A S O N D J F M A M J J A S O
1982
1983
Source: Bureau of the Census

The median price of new houses fell nearly 6% in October to $76,100 from a revised September price of $80,800. However, October prices were still 9% higher than a year earlier.




Mortgage rates slipped in November for the second month in a row. Fixed rates declined 16 basis points to 13.92% while uncapped adjustable rates dipped 13 basis points to 12.54%.




Lumber prices receded slightly in November to $195 per thousand board feet from $200 in October. The November price was 15% higher than a year earlier.

# NEWS

BUSINESS

## BUILDERS LOOK AHEAD, SEE A GOOD YEAR

"The home building climate in 1984 won't get better or worse," said Charles Peck, chairman, the Ryland Group.

"I'll be happy if 1984 is as good as last year," said Jim Joyce, vice president, Anden Corporation, Chicago.

These sentiments sum up many builders' feelings about the year ahead.

Big builders, such as U.S. Home, General Homes, Ryland and Oxford Development, predict that this year will be the same or slightly better than 1983, which was a record year for most of them.

The picture looks even brighter to a number of medium-size builders including M.D.C. Corporation, Denver; Pacific Scene, San Diego; and Toll Brothers, Inc., Philadelphia. All built a record number of housing units last year and expect activity to jump 30 to 55 percent this year.

Here are some trends major builders see in the year ahead:

- Most builders aren't planning any major changes in product; that happened in 1982 and 1983 when downsizing for affordability became the only way to go. Some say they will continue to downsize slightly but plan to stress affordable detached houses rather than low-priced condos.
- Mortgage rates should stay about the same as last year.
- The first-time buyer market is expected to remain strong, but in many areas a good portion of that demand has been satisfied. Builders expect the move-up market to improve, but they don't believe it will take off as the starter market did last year.
- More and more large builders are taking the plunge into the builder bond business, primarily as a way to increase tax benefits. For example, U.S. Home Corporation, which has issued its own mortgage-backed securities since 1979, expects bonds to finance nearly 50 percent of its sales this year, up from about 25 percent in 1983.

Here is what some of the largest builders in the country are planning for 1984:

Jeff Payson
General Homes Corporation

Fast-growing General Homes Corporation, Houston, built a record 5,500 houses last year—almost all of them detached units—and expects production to increase slightly this year.

### WHAT THE FORECASTERS SEE FOR 1984

Most economic forecasters, like most builders, expect a fairly good year ahead for housing. The majority forecast about 1.7 million starts for this year—nearly the same as in 1983. A few thought starts could go as high as 1.8 million or as low as 1.4 million. Almost all predict that rates for fixed-rate mortgages will remain at 1983 levels—about 13.5 percent—throughout this year. Here are forecasts for 1984.

| **Jim Christian**<br>Chief economist, U.S. League of Savings Institutions | **David Jones**<br>Vice president, Aubrey G. Lanston & Co. | **Lawrence Chimerine**<br>Chairman, chief economist, Chase Econometric Associates | **Timothy Howard**<br>Chief economist, Federal National Mortgage Association |
|---|---|---|---|
| **1.4-1.6** | **1.6** | **1.7** | **1.7** |
| **13.25%** | **13.25%** | **13%** | **13.25%** |
| **"Less pent-up demand than in 1983"** | **"Starts will fall slightly because rates will top 12%"** | **"Move-up market will increase"** | **"More single-family, less multifamily"** |

President Jeff Payson predicted that the firm's single-family starts will decline somewhat in Houston but will increase in Dallas, Phoenix, New Orleans, Tampa and Orlando.

Single-family starts in Houston probably will fall, Payson said, because in-migration has all but stopped, the economy is still weak and the apartment vacancy rate is about 20 percent.

"Apartment managers used to be our allies because they were raising rents and didn't like kids and dogs," he said. "But now they are lowering rents, offering bonuses to extend leases and have taken a liking to kids and dogs."

General Homes plans to slightly reduce the size of its houses from an average of about 1,600 to 1,550 square feet. On the other hand, prices which last year averaged $68,000, will increase, except in Houston. Payson said the company may stop buying down mortgage rates and instead minimize price increases.

General Homes' plans don't call for building more attached houses because first-time buyers, the company's primary market, "don't want to move from one apartment to another," Payson said. "They want a detached house—not for financial reasons, but for the lifestyle."

Giant U.S. Home Corporation, Houston, this year expects to deliver slightly more than the 10,600 on-site units and 6,780 mobile and modular units it built last year.

Single-family detached (average price $68,900) accounted for about 60 percent of last year's activity, and George Matters, president of U.S. Home, doesn't expect that proportion to change this year unless mortgage rates do.

"If interest rates decline and the market picks up significantly, the mix probably will include more detached units," he said. "If rates go up, we'll build more attached units."

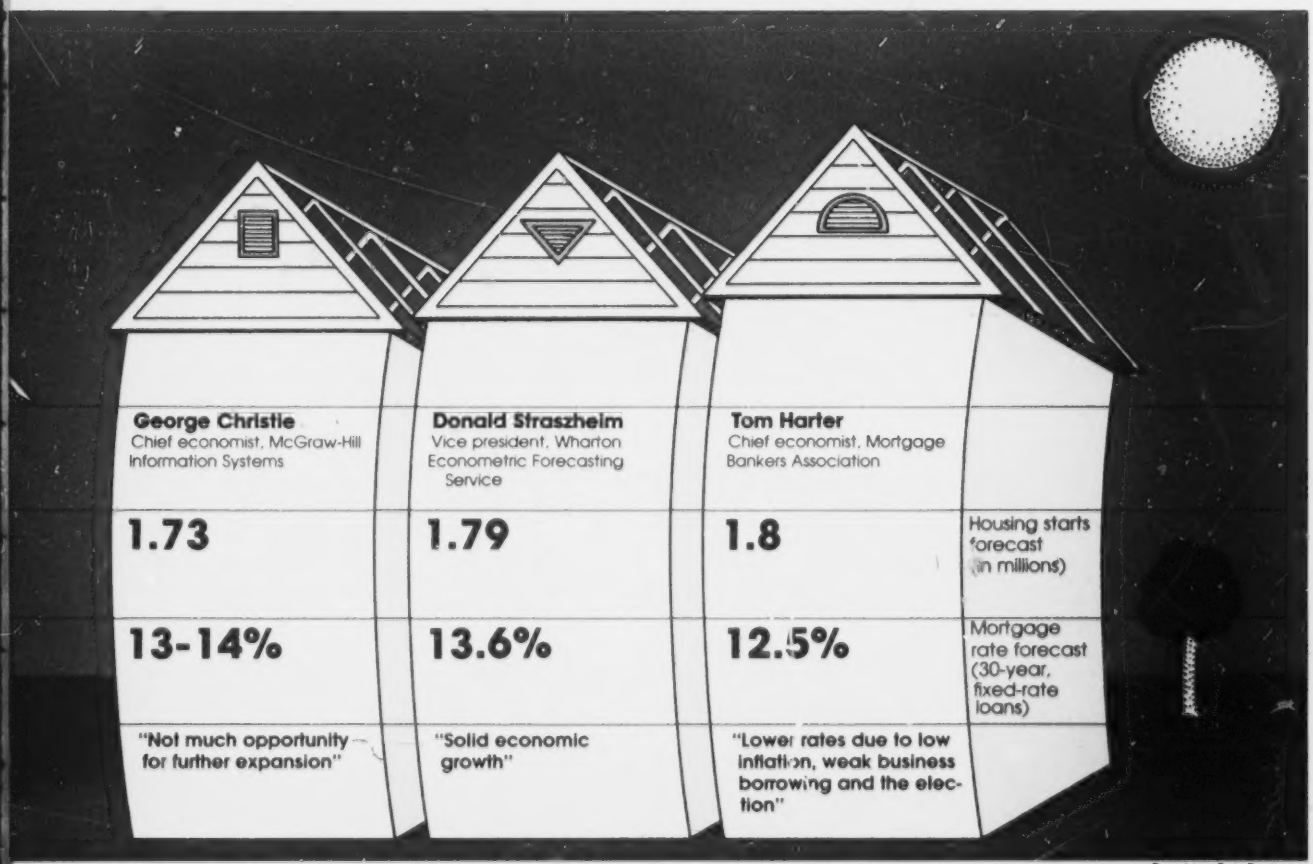
George Matters
U.S. Home Corporation

U.S. Home builds in 28 states, and Matters expects last year's best markets—Phoenix, Bakersfield, Denver and Tampa—to remain strong.

Last year M.D.C. Corporation, Denver, built 1,250 units, a record number, and this year M.D.C. expects production to increase another 30 percent. Much of that growth will be centered in Denver, where the company plans to continue to emphasize affordable detached houses.

"Two years ago we weren't in that market," said M.D.C. President

see BUILDERS p. 52




Graphics: Bob Reynolds

# NEWS

BUILDERS

M.D.C. Corporation, Denver, plans to introduce a new series of affordable houses with 1,040 to 1,483 square feet and a starting price in the mid-$70s.

Michael Feiner. "Now it accounts for about 40 percent of our production, and that's where we expect most of our growth in 1984."

Plans call for introducing a new series of affordable houses ranging from 1,040 to 1,483 square feet with a starting price in the mid-$70s (see rendering). M.D.C.'s current line of affordable houses has from 1,200 to 2,400 square feet and starts in the mid-$80s.

The company also builds lower-priced condos and higher-priced semi-

Michael Feiner
M.D.C.
Corporation

custom houses, but Feiner expects the condo market to shrink and the semi-custom market to hold steady.

Last year M.D.C. joined other builders to form American Southwest Financial Corporation, which issues multi-builder bonds. The company raised about 40 percent of its permanent financing needs through the bond program, and Feiner aims to make it 100 percent this year. He said the bonds reduced financing costs about 150 basis points in addition to providing favorable tax benefits and additional cash flow.

Ryan Homes, Pittsburgh, expects the move-up market to be stronger this year, but the starter market will remain its bread and butter.

During the first three quarters of last year, Ryan sold 6,260 homes, 40 percent of them attached. Four years ago only 14 percent of the houses Ryan built were attached, said Steven Smith, president and chief operating officer.

With its detached houses, Ryan plans to move in the direction of narrower units—30 to 34-foot-wide units on 40 to 45-foot-wide lots—but does not expect to reduce the size of starter units from current levels, 1,200 to 1,400 square feet.

This year the company will concentrate on expanding market share in five new markets it entered in 1983—Houston, Orlando, West Palm Beach and Jacksonville, Fla., and Virginia Beach, Va. Washington, D.C., was Ryan's best market in 1983, but Smith said activity was better everywhere, even in the company's northern industrial markets. This year's hot spot, he said, is likely to be Florida.

Smith indicated that prices may go up this year from their current range of $39,900 to $129,000 because "the housing recovery has put pressure on lot prices."

On the financing front, builder bonds have become Ryan's primary source of permanent financing since the company started issuing its own bonds in 1982. So far, the bonds have all been backed by FHA-VA mortgages, but Ryan expects to issue its first bond backed by conventional loans this year.

Although apartment building nationwide is predicted to fall off this year, Oxford Development Corporation, Bethesda, Md., expects to build the same number of units this year as last, 4,500 apartments, a record number.

The relatively high national vacancy rate "has made us more cautious," said Oxford President Leo Zickler. "But we build an upscale product and haven't been hit with high vacancies."

Zickler said Oxford's average vacancy rate is about 4 percent. He predicted central Florida will be the company's best market in 1984.

After having downsized units by 5 percent in late 1982, Oxford doesn't plan any substantial changes in its product line—a typical unit now is approximately 1,000 square feet.

However, the firm does plan to start building rental projects with an eye to converting them to condos in five to seven years.

"We think the gap between the cost of renting and owning will continue to favor owning," Zickler explained. "And many young people will be better off buying an apartment, at least as a starter home."

The method of financing also may change this year. "Congress adjourned without resolving the issue of tax-exempt financing for multifamily housing," Zickler said, "so we may not be able to continue to use it. Taxable financing will be available, but the higher interest costs may force us to rethink or redesign some projects."

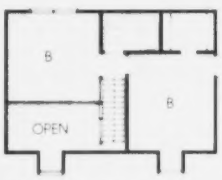
Currently, about two-thirds of Oxford's financing comes from syndications and the rest from joint ventures with institutional investors.

Ryland Group, Inc., Columbia, Md., predicts that this year's production volume will be about the same as last year's—which turned out to be a record: 5,000 units built including 500 factory-built modular units. The previous Ryland record was 4,000 units in 1978.

This year the company plans to open a third modular housing factory in Fredericksburg, Va., and to enter two new markets—Boca Raton, Fla., and Phoenix. Within the last two years,

Ryland has set up shop in Dallas, Charlotte and Raleigh, N.C., and Orlando and Tampa.

"The health of the housing business won't be the same in all markets," predicted Charles Peck, Ryland's chairman of the board. "The Midwest will experience a strong recovery. Houston will continue to waver. Florida will grow.




SECOND FLOOR

FIRST FLOOR

Small but stylish, this is one of the Ryland Group's new affordable plans for 1984. It features a great room rather than separate dining, living and family rooms, a loft and a two-story entry.

"As the economy improves," he continued, "the blue collar market will come back. Another strong force in 1984–85 will be the 'echo' baby boom. When young couples have children they want to move out of that apartment into a single-family detached house."

According to Peck, the company's primary objective this year is to increase its market share in current markets by offering a greater variety of plans and continuing to build higher-density, smaller units.

Consequently, Ryland is offering a new series of two-story house plans ranging from 750 square feet (plus 650 square feet of unfinished space on the second floor) to 1,540 square feet. With prices estimated from the $60s to the $90s, depending on the market, they aren't Ryland's least expensive houses, but they are more stylish than the company's typical low-end product (see rendering).

Like a number of other large builders, Ryland has taken the plunge into multi-builder bonds—its first issue was last fall—and plans to expand that financing source significantly this year.

Last year was a period of tremendous growth for Pacific Scene, Inc.,

Tawfiq Khoury
Pacific Scene, Inc.

San Diego, and its president, Tawfiq Khoury, expects this year to be even better.

Pacific Scene plans to build 2,500 homes this year, up from 1,850 in 1983. Sales volume last year totaled $185 million compared with $39 million in 1982.

"We did so well because we decided in March 1982 to go ahead with several new projects that were ready in November just in time for the turnaround," Khoury said.

The gamble included downsizing from an average of 1,450 to 1,200 square feet and building more attached units. The downsizing is over—at least for now—but Khoury plans to increase the proportion of attached units to 60 percent from 50 percent.

Currently, Pacific Scene's houses, both attached and detached, are priced from $59,000 to $120,000 with an average price of about $85,000. Its markets include San Diego, Sacramento, Fresno, Bakersfield, Riverside and Phoenix.

The company's primary customer is the first-time buyer, and Khoury expects that market to remain strong this year.

Affordable housing is nothing new to Development Corporation of America (DCA), Hollywood, Fla. The large South Florida builder has been in that market since 1955. But now that many other builders have started building lower-priced units and competition has stiffened, the company plans to expand its detached products and reduce the proportion of condos.

According to Alvin Sherman, DCA's president and chairman of the board, the firm will cut back condos from 75 percent of production to about 60 percent this year.

Sherman expects to build at least 3,000 units this year, up 10 to 15 percent from 1983. Some of that growth will occur in two new markets—Tampa-Clearwater and Orlando.

In addition to expanding into new markets DCA is changing its method of financing. The firm's mortgage company started issuing builder bonds—$50 million worth—in 1983, a move that financed about 40 percent of sales. Sherman expects bonds, which he said lower financing costs about one point, to provide 60 percent of financing needs this year and eventually 100 percent.

Jim Joyce, vice president of Anden Corporation, described 1983 as "outstanding," following a dismal 1982 when "we cut our operation to the bone and did anything we could to stay alive."

Last year Anden built 265 detached houses priced from $63,000 to $76,000 in the Chicago suburb of Naperville. With 1,080 to 1,584 square feet, the houses were downsized from previous products ranging from 1,500 to 2,100 square feet.

"The project was successful because of enormous pent-up demand," said Joyce, adding that some of that de-

Jim Joyce
Anden
Corporation

mand has been drawn off. Anden also was able to find 12 percent conventional financing for the project, which helped, especially with first-time buyers, who accounted for 70 percent of sales.

"We'll do whatever we have to to provide 12 percent rates again this year," Joyce said.

The company plans to build another 160 detached units this year in the same subdivision but with more options. "We expect the market to be more competitive in 1984, so we're trying to offer more for the same price," he said.

Anden also will offer a new product: a combination of townhouses and flats in six-unit buildings. The company plans to build 180 of these units, priced from $65,000 to $80,000 with 1,160 to 1,460 square feet. Each will have an attached garage, and some buildings feature an interior atrium.

Toll Brothers, Inc., Horsham, Pa., had a record year in 1983: $70 million in sales of 550 units including 170 townhouses and condos. And its president, Robert Toll, predicted production will grow "at least 55 percent" this year to about 850 units.

Toll Brothers builds primarily for the move-up and transfer markets in the Philadelphia suburbs and north through central New Jersey. Prices range from the $60s to $200,000.

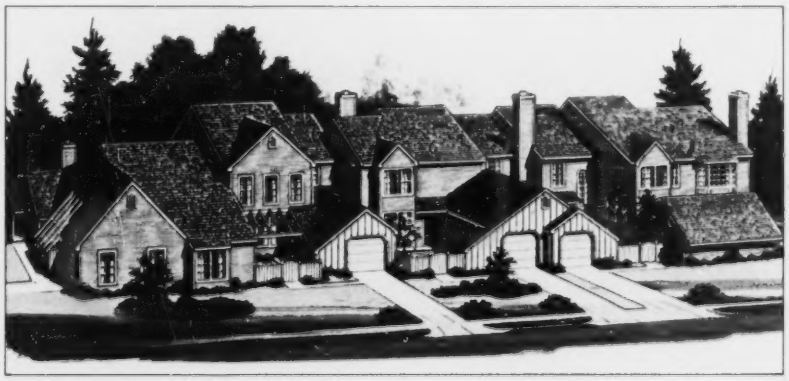
At an average price of $120,000 and an average size of 2,500 square feet, the detached house is expected to remain the company's primary product, but Toll said the multifamily proportion will grow this year.

"We're increasing the percentage of multifamily," Toll said, "because zoning for it is becoming more available. Municipalities are slowly realizing that they can permit multifamily development without ruining the community. And there is greater market acceptance.

"People will pay more for somewhat less space if the product is exciting," Toll continued. "We're putting amenities in townhouses that we previously offered only in detached houses. We're making townhouses a choice, not a compromise." (see rendering).

Still, Toll believes the detached house remains the backbone of the residential building business. "For 15 years we've been hearing that the single-family detached house is dying out," he said. "But it isn't true, and it isn't going to be true for the foreseeable future."

**Carol Anderson**, News Editor



Toll Brothers, Philadelphia, is offering a new product this year: more expensive townhouses with amenities the company previously provided only in detached houses.

BUSINESS

## S&L PROGNOSIS: 1984 AT LEAST AS HEALTHY AS 1983

Savings and loans predict this will be a good year for home mortgage lending—at least as good as last year and possibly a little better. They expect mortgage rates to remain at current levels throughout the year, with a dip in fixed rates likely in the spring.

Many S&Ls are basing their expectations for a healthy volume on the increasing popularity of adjustable rate mortgages (ARMs). The main reason those loans are gaining is that lenders are finally pricing them right—often two or more points below fixed rates.

Here is how a number of S&Ls around the country see the year ahead.

Gibraltar Savings, Houston, predicted its residential lending volume will increase 35 percent to $540 million this year even though the Houston economy is expected to remain in the doldrums.

According to Steve Roberts, vice president of residential lending, the S&L anticipates stronger mortgage activity due to the increasing popularity of lower-rate ARMs.

"And the election should bring fixed rates down slightly to 13 to 13.5 percent by the third quarter," Roberts added.

Nevertheless, Gibraltar expects fixed-rate mortgages to decline as a percentage of total volume from 50 percent in 1983 to 30 percent this year due to more attractive initial rates for ARMs.

The S&L's most popular mortgages are three and five-year ARMs with initial rates as much as two points below fixed-rate loans. Roberts expects those ARMs to be even more successful in the year ahead.

City Federal Savings & Loan, Elizabeth, N.J., made $2 billion worth of home mortgages in 1983 and expects the amount to increase this year.

"We see heightened interest in home purchase, and we address the affordability problem with graduated

ers think unemployment insurance for homeowners is a good idea. American Bankers Insurance Group, Miami, has prepared an unemployment insurance/accidental death benefit policy home builders can offer their buyers. Under American Bankers' Paygard 80's plan, builders pay a one-time fee of 1 percent of the cost of the home, payable at time of closing. Coverage is for up to 12 months during the first 2 years of ownership, with a $1,500 monthly payment maximum. In addition, the accidental death benefit would provide the family of a buyer with a lump sum equal to 12 mortgage payments.

American Bankers' plan is targeted to builders of more than 200 homes a year but, according to Cathy A. Durland, account manager with the insurance group, smaller home building companies are welcome to apply.

Paygard 80's will be available initially in the Sunbelt but, Durland added, the plan will go national if builder response warrants it.

In order to quality for an unemployment insurance account with American Bankers, a building company undergoes a review. While the company may be acceptable, American Bankers reserves the right to exclude certain projects, particularly those where more than 10 percent of the homeowners are employed by the same employer or 25 percent are from one industry prone to strikes or layoffs. —P.L.

DEMOGRAPHICS

## HOUSING MAY (OR MAY NOT) FOLLOW POPULATION TRENDS

Builders who like to plan ahead by tracking long-term demographic predictions will be interested in three 1983 surveys that may or may not indicate where the booming housing markets will be.

In what should come as no surprise, the Census Bureau predicted that, by the year 2000, 6 out of 10 Americans will live in the South and West. (As of the 1980 census, 5 of 10 Americans lived in these areas.) The West will grow fastest of all—increasing by 45 percent—with California pulling out in front as the most populous state (with more than 30 million residents), followed by Texas (nearly 21 million) and Florida (a predicted 17.5 million).

Two Harvard University professors who track regional trends contend that these growth changes will greatly influence housing, working conditions, urban life, social services and politics. Many of the Census Bureau's predictions, however, depend upon continued migratory patterns, a slightly higher birth rate and a longer life expectancy.

### NEW METROPOLITAN AREAS AND THEIR POPULATIONS

The 38 areas in the United States designated by the federal government since the 1980 census. Two others in Puerto Rico are not shown.

| | |
|---|---|
| Anderson, S.C. | 133,235 |
| Athens, Ga. | 130,006 |
| Bangor, Me. | 137,015 |
| Bellingham, Wash. | 106,701 |
| Benton Harbor, Mich. | 171,276 |
| Bremerton, Wash. | 146,609 |
| Burlington, Vt. | 115,534 |
| Casper, Wyo. | 71,856 |
| Charlottesville, Va. | 114,560 |
| Chico, Calif. | 143,851 |
| Cumberland, Md. | 107,782 |
| Danville, Va. | 111,789 |
| Dothan, Ala. | 122,453 |
| Florence, S.C. | 110,163 |
| Ft. Pierce, Fla. | 151,196 |
| Ft. Walton Beach, Fla. | 109,920 |
| Glens Falls, N.Y. | 109,649 |
| Hagerstown, Md. | 113,086 |
| Hickory, N.C. | 130,207 |
| Houma-Thibodaux, La. | 176,876 |
| Jacksonville, N.C. | 112,784 |
| Joplin, Mo. | 127,513 |
| Medford, Ore. | 132,456 |
| Newark, Ohio | 120,981 |
| Newburg-Middletown, N.Y. | 259,603 |
| Ocala, Fla. | 122,408 |
| Olympia, Wash. | 124,264 |
| Portsmouth-Dover-Rochester, N.H. | 122,493 |
| Redding, Calif. | 115,715 |
| Rock Hill, S.C. | 106,720 |
| Salisbury-Concord, N.C. | 185,081 |
| Sharon, Pa. | 128,299 |
| Sheboygan, Wis. | 100,935 |
| State College, Pa. | 112,760 |
| Victoria, Tex. | 68,807 |
| Visalia-Tulare-Porterville, Calif. | 245,751 |
| Wausau, Wis. | 111,270 |
| Yuba City, Calif. | 101,979 |

Source: Census Bureau

Builders might not be too eager to flock to the areas that the Census Bureau says will be hot, anyway. A survey by *Sales and Marketing Management*, a magazine for sales and marketing professionals, indicates that personal wealth will not necessarily follow the migrants. Five years from now, the magazine claims, big consumer bucks will be comfortably entrenched right where they are now—in such Frostbelt suburbs as Nassau County, N.Y.; Stamford, Conn.; Lake County, Ill.; and Newark, N.J. The magazine survey wasn't looking at super-rich residents, rather, at communities of relatively well-off people—the very people who move up into higher end housing.

Yet another survey indicates that new growth patterns will feature sprawling metropolitan areas with no clearly defined centers, as opposed to big cities ringed by suburbs. The Federal Committee on Metropolitan Statistical Areas, which operated under the Office of Management and Budget, spent six years studying and redefining what it takes to make a metropolitan area.

Finding a great deal of population growth outside incorporated cities and towns, the committee repealed the longstanding requirement that a community must have a population above 50,000 to qualify as a central city within a metropolitan area. This designation is important because many federal programs base their formulas for distributing funds on the size and character of those key cities.

The committee's report, issued last summer, found Houma-Thibodaux, La. (population 176,876) and Visalla-Tulare-Porterville, Calif. (population 245,751) to be prototypes of the metropolitan areas springing up around the nation. Houma, for instance, has a population of around 32,600, as it has since 1970, and Thibodaux supports a population of 15,600, but there has been tremendous population growth in the corridor between the two towns. And the little California towns of Visalla, Tulare and Porterville, and their surrounding areas in the San Joaquin Valley, are growing rapidly but not in a concentrated manner. Though these

areas do not have the usual urban living patterns and lack a metropolitan character, they are well on the way to becoming major population conglomerates.

The committee also revised boundaries and definitions for more than 300 areas. Several new central cities were designated within large metropolitan areas, and some areas were joined. The changes, several experts noted, are the most far-reaching since the government began designating metropolitan areas in 1910.—P.L.

ECONOMY

## ECONOMISTS FORESEE UPBEAT '84

Business economists couldn't be more upbeat about 1984's economic prospects. A November 1983 poll of the 200 members of the National Association of Business Economists (NABE) asked the economists, who work for companies in a wide range of industries, about recent conditions in their own firms.

An overwhelming majority reported that during the last three months of 1983 demand, profits, employment and wages rose.

"What we're really talking about is strong evidence of good times in 1984," said Dr. Nicholas Filippello, president of NABE and chief economist of Monsanto Company, St. Louis.

Among the NABE members' predictions for 1984 were:

- Housing starts will total 1.7 million units.
- Auto sales (including imports) will reach 10 million units.
- Inflation will hold steady at 5 percent.
- Unemployment will decline to 8 percent.
- Real nonresidential fixed investment will increase by nearly 9 percent.
- Interest rates will remain unchanged in 1984.

At a press conference to discuss the NABE forecast, Dr. Filippello noted that the presence of high interest rates was unusual at this point in a recovery but that "the country was learning to deal with real interest rates better than we thought it could." Filippello added that economists were concerned that high budget deficits would force the rates up, but he thought that this was unlikely in 1984. He observed that because corporations' current cash flow (profits plus depreciation allowances) are growing more rapidly than corporate need for cash, the corporations are putting money into the system.

Dr. Nicholas Filippello, president of the National Association of Business Economists

"By 1985 that may be reversed," he added. If interest rates move back up, he explained, then budget deficits might have a greater effect on capital markets.

The NABE economic forecast took regional factors into account. Economists from the North Central states expected their area to lag behind the national economy, while economists from the Northeast, South and West expect their regional activity to be equal to or better than the national averages.

As to 1985 and beyond, the economists weren't as bullish; there was concern that the recovery could be aborted. Asked when they expect the current business cycle to peak, more than half said 1985.—P.L.

FINANCE

## BORROWERS LET COMPUTERS DO THE WALKING

The day is rapidly approaching when home buyers will be able to search the nation for the best mortgage terms without making a single trip to a lender's office. They'll do it—how else—by computer.

Several regional computerized mortgage information and access networks already are in operation, most notably RKI Databanks in the San Francisco Bay area and the International Mortgage Exchange in Memphis. But this month two networks with national potential will go on line. One, operated by the National Association of Realtors (NAR) and dubbed Rennie Mae for Realtors National Mortgage Access, will be tested in the San Diego area and in all of Ohio.

By the end of the year, NAR President Harley Snyder said the majority of the 1,800 local realty boards should be able to use the system. All local boards could be on the system by the end of 1985, according to Snyder.

The other system network, Loan Express, will be run by the Planning Research Corporation of McLean, Va., one of the nation's largest providers of multiple listing services. Loan Express was scheduled to start operation in Washington, D.C., in January, then expand to other areas.

(Because these two systems will be aimed primarily at the existing home market, NAHB is taking a hard look at adding mortgage information to BuildNet, its infant news, information and electronic mail network. The association has met with PRC representatives about a Loan Express system exclusively for builders.)

Although Rennie Mae and Loan Express will have some differences, both will have essentially the same capabilities. They will put home buyers in direct contact with the products offered by local, regional and national lenders. No longer will buyers or their agents have to search through various rate sheets or make numerous phone calls to find acceptable financing.

The systems won't choose the right loan for buyers but they will present comparisons so buyers can make informed selections themselves. And they will cut down substantially on the time it takes to process loan applications.

The success of the networks hinges on the vast universe of mortgage originators that must feed their loan information into the systems and the thousands of brokers and builders who must learn how to retrieve it. For